AWARD FEE TRAINING

Tim Brown & Jim Gill

9 June 2004

AWARD FEE PROCESS

- **OVERVIEW (PURPOSE / RATIONALE)**
- **PLAN DEVELOPMENT (FORMAT / CONTENT)**
- **PLAN IMPLEMENTATION**

  (PROCESS / ROLES-RESPONSIBILITIES)
- **LESSONS LEARNED & RECENT DEVELOPMENTS**

OVERVIEW
(PURPOSE / RATIONALE)

The primary purpose and rationale of the award fee process are contained in the following definition: ...

an amount that the contractor may earn, in whole or in part, during contract performance that is sufficient to provide motivation for excellence in such areas as quality, timeliness, technical ingenuity, and cost effective management. The amount is determined by the Government's judgmental (subjective) evaluation of the contractor's performance in terms of the criteria stated in the award fee plan. This determination is made unilaterally by the Government.

OVERVIEW (PURPOSE / RATIONALE)

- **Award Fees are not limited to any contract type**
- **The plans are a flexible tool. Award fee dollars can be redistributed, or evaluation criteria can be changed to match the current needs of the contract.**
- **The contractor must earn the award fee. Award fee starts at 0%, not at 100%.**
- **The award fee plan is a management tool. It provides a method to incentivise and reward a contractor for ideas, practices, or efforts that affect the end item of the contract in a positive way**.

OVERVIEW (PURPOSE / RATIONALE)

- The Award Fee plan provides a method to **communicate** (emphasize weak areas and recognize initiative) with the Contractor on a regular basis. If logistics allow, you may schedule monthly meetings in conjunction with other scheduled technical/status meetings. Allow the Contractor to present their performance assessment versus the evaluation areas and criteria. Provide the Government's perception of performance as feedback. Encourage **open** communication.

- Award Fee Integrity: The award fee process is recognized to be subjective in nature, but every effort shall be made to assure fairness. The written record of performance monitors, the inputs from other pertinent sources (e.g. DCMC, DCAA, IG, GAO, users), and the Contractor's self-assessment (if provided) assist in providing the checks and balances necessary to assure award fee integrity.

PLAN DEVELOPMENT

CENTER/PRICING is the staff OPR for modifications to existing award fee plans. Pricing is also the POC for new award fee plans. Seek their advice during original plan development and during plan revisions.

- **They will recommend policy and procedures.**
- **Provide staff interface with other commands.**
- **Provide an independent, standardized advisory role.**
- **Review all award fee plans for major changes.**
- **Maintain a current data base of applicable regulations and guidance.**

PLAN DEVELOPMENT

- **Regulations and Supplements**
  - **FAR 15.404-4(c)(4)(i) (Statutory Fee Limitations)**
  - **FAR 15.404-4(d) (Profit-analysis factors)**
  - **FAR 16.305 (Cost-Plus-Award-Fee Contracts)**
  - **FAR 16.405-2 (Cost-Plus-Award-Fee Contracts)**
  - **DFARS 215.404-74 (Fee Requirements for CPAF Contracts)**
  - **DFARS 216.404 (Fixed-Price Contracts with Award Fee)**
  - **DFARS 216.405 (Cost-Plus-Award-Fee Contracts)**
  - **DFARS 216.470 (Other Applications of Award Fee)**
  - **AFR 170-13 (Award Fee Commitments)**
  - **AFSPCFARS 5316.405-9500 (Award Fee Contracts)**
  - **AF Award Fee Guide**
  - **AFSPC Award Fee Guide**
  - **AFMC Award Fee Guide**
  - **SMC Contracting Directive**

PLAN DEVELOPMENT

- **Use the SMC Award Fee Template for sample plan.**
- **The following info letters on the PKC Web-site are also applicable:**
- **PK Info Letter, Feb 04, “Provisional Award Fee Payments**
- **PK Info Letter, Aug 02, “Interim Award Fee Payments”**
- **PK Info Letter, Mar 02, “Award Term Contracting”**
- **PK Info Letter, Oct 00, “Award Fee Funding”**
- **PK Info Letter, Oct 00, “Timely Award Fee Payment”**
- **Award-Term Contracts: See the SAF/AQC Award Term Guide in the SAF/AQC Toolkit (Part 17), the AFMC Award Fee and Award Term Guide, and http://www.safaq.hq.af.mil/contracting/policy/AQC/policy-2003/03-c-01-guide.doc**

PLAN DEVELOPMENT

- Regulations and “policies” are constantly subject to change. One should always check with Pricing to make sure you have the most current changes to the regulations. POC in Pricing is Beth Chirdon or Tim Brown. PKC POC is Jim Gill.
- Project Officer must understand the contract requirements, the award fee plan, evaluation criteria and the evaluation process.

PLAN DEVELOPMENT

- **SUMMARY OF PLAN STRUCTURE**
  - **Cover Page (Signatures)**
  - **Introduction**
  - **Organization**
  - **Responsibilities**
  - **Award Fee Process**
  - **Award Fee Change Procedures**
  - **Contract Termination**

PLAN DEVELOPMENT

- **SUMMARY OF PLAN STRUCTURE (CONT'D.)**

Attachments

1. Award Fee Organization (Program Office)

(Identify the FDO and AFRB by position title and office. Identify performance monitors by functional title and office symbol.)

2. Award Fee Allocation by Evaluation Periods

3. Evaluation Criteria

Grade definitions will be identified in the Award Fee Plan. The description of what constitutes each level of performance within each performance category must be included in an attachment.

4. Sample Computation

PLAN DEVELOPMENT

Coordination Cycle

Office	Action
System Program Office (SPO)	Initiate (Write)
AFRB Chairperson	Co-ord. / Sign
Internal Offices	Co-ord.
Staff Pricing (4 letter)	Review
Legal	Review / Co-ord.
PKX	Review / Sign
Contracts (2 letter)	Co-ord. / Sign
FDO	Approve/Sign

Include a copy of the plan in the draft and the final RFPs. (This policy may be difficult to implement considering the new streamlining initiatives, ie., requesting the contractor to write the A.F. plan and submit it with their proposal.) The plan must be signed by the AFRB Chairperson and Contracts prior to release of the RFP and signed by the FDO prior to the start of the first evaluation period.

PLAN DEVELOPMENT

EXAMPLE: AWARD FEE CHECKLIST

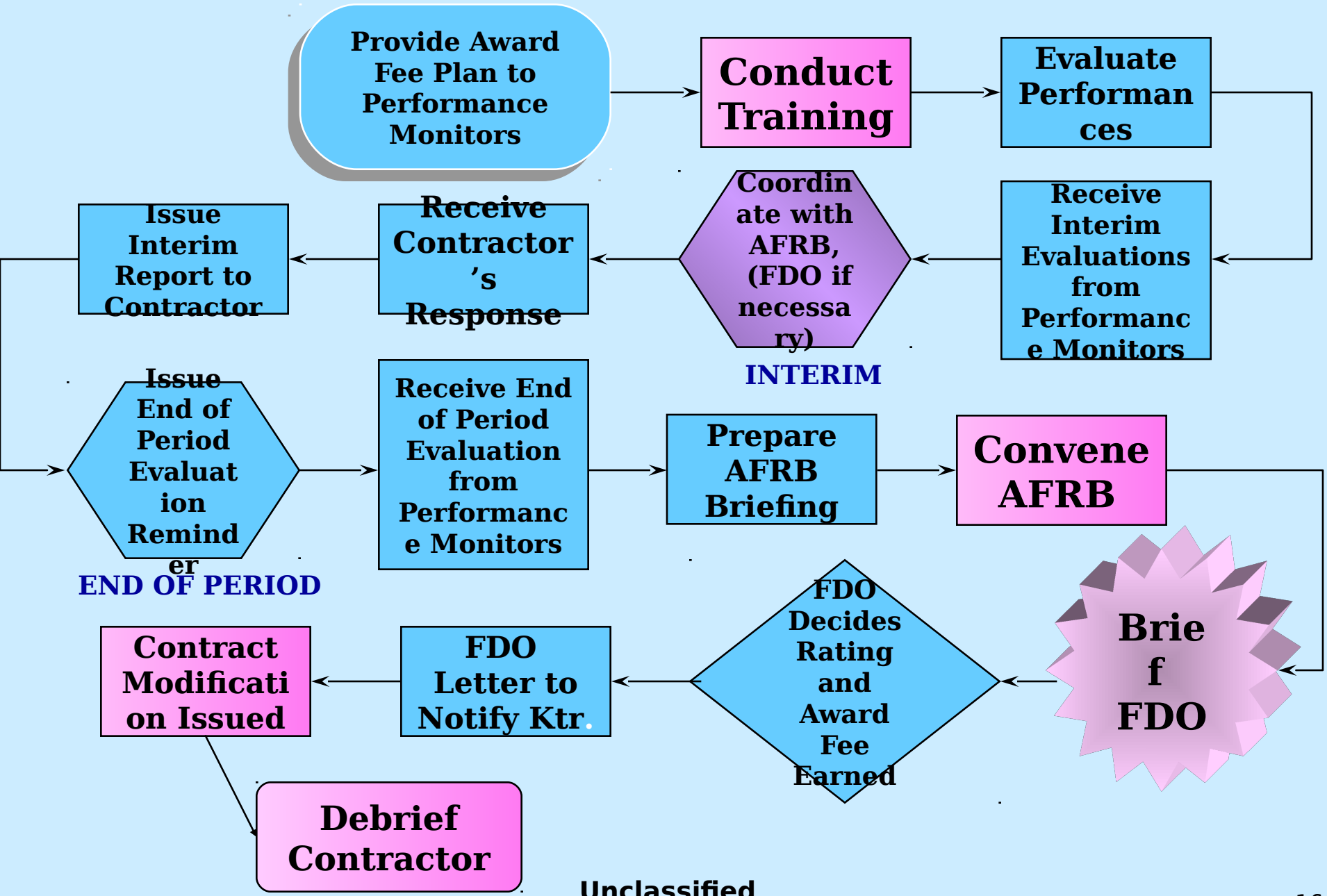
AWARD-FEE CHECKLIST

AWARD-FEE PLAN: As a minimum:		
Identify FDO and AFRB by Position		
Identify Performance Monitors by Function		
Define Grades used to Measure Contractor's Performance		
Define Categories of Performance (e.g., Technical, Cost Control)		
Specify Weights, if applicable		
Define the Evaluation Criteria (e.g., What constitutes Excellent Performance for Cost Control?)		
List Evaluation Periods by Date or Milestone and Anticipated Milestone Completion Date		
List Allocation of Funds by Dollar Amount or Percentage of Available Award Fee by Evaluation Period		
Establish Scoring Mechanism, if applicable		
Address Interim Evaluations, if applicable		
Set up General Procedures for AFRB		
AWARD-FEE PLAN COORDINATION AND APPROVAL: See AFMC FAR Sup 5316.404-2		
Coordination of Award-fee Plans for contracts with total values **greater than $25 million:** Center/Lab PK Staff, reviewed by AFRB Chairperson and SCCO/SLCO		
Coordination of Award-fee Plans for contracts with total values **less than $25 million:** Center/Lab PK Staff, reviewed by AFRB Chairperson		
Approved by the FDO		
FEE DETERMINING OFFICIAL:		
For PEO/DAC Programs, PEO or DAC will be FDO unless otherwise appointed		
For Other Contracting actions with a total contract value greater than $25M, the FDO will be the Center/Laboratory Commander		
For Other Contracting actions with a total contract value less than $25M, the FDO will be the Center/Laboratory Commander, unless otherwise appointed		
GENERAL:		
Incorporate Award-fee Plan in the Draft RFP		
Incorporate Award-fee Plan in the Final RFP		
Train all personnel involved in the award-fee process		
Document Justification for Rollover in Official Contract File		
Document FDO Decision in Official Contract File		
CONTRACT CLAUSE: Include completed clause AFMC FARS 5352.216-9002, Award Fee, in Section H of the Contract		

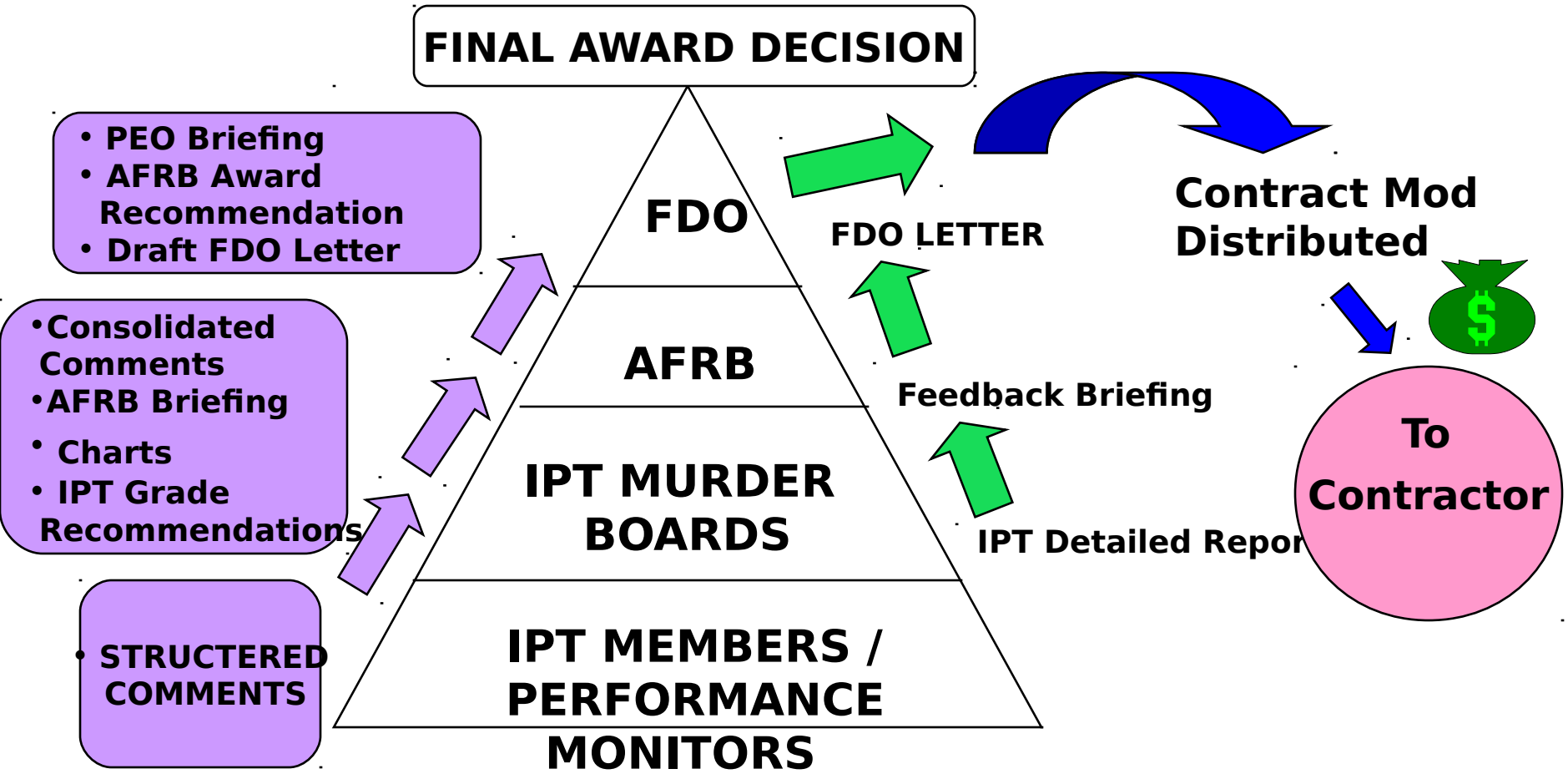
PLAN IMPLEMENTATION

PROCESS OVERVIEW FLOWCHARTS

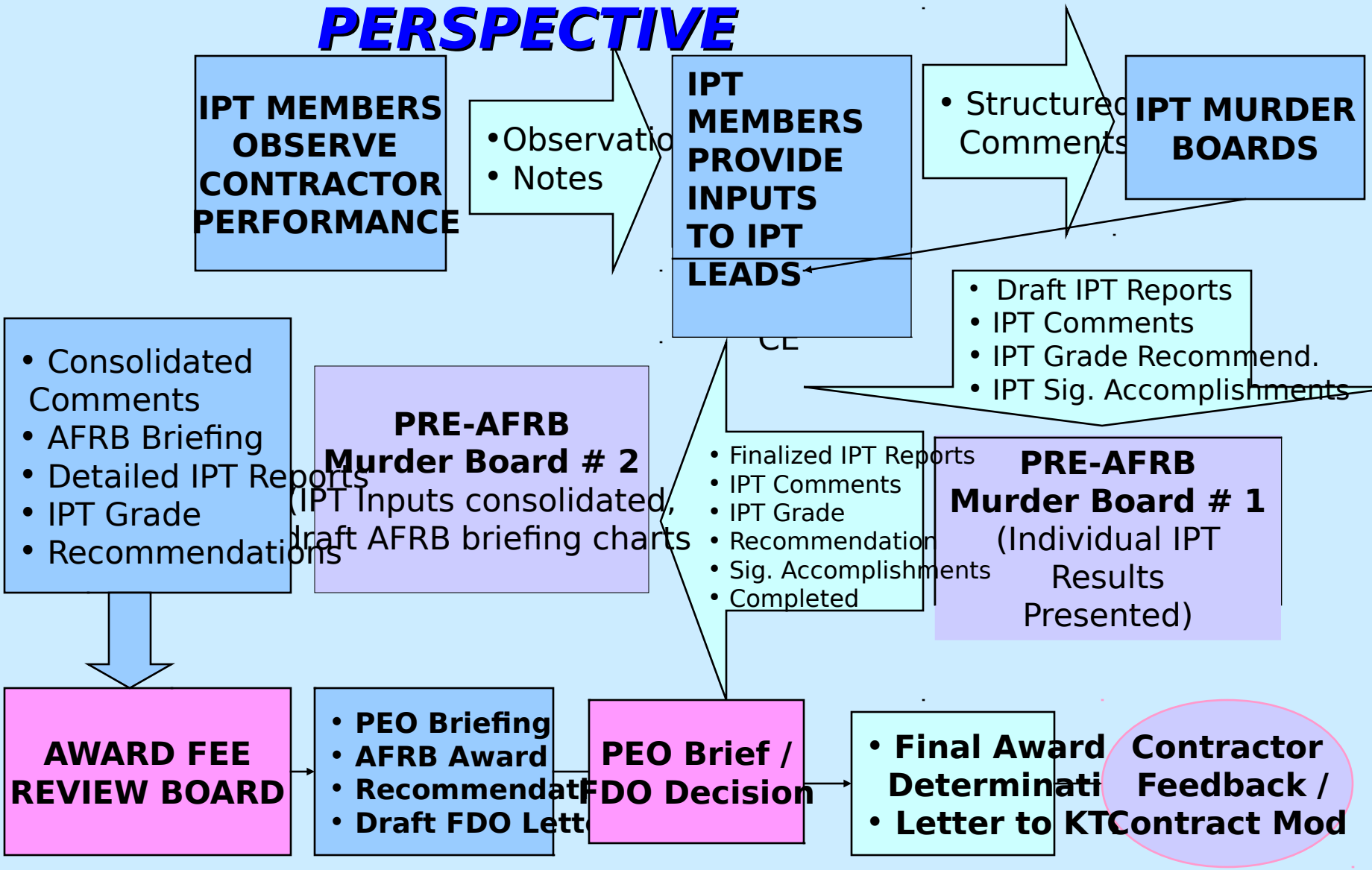
AWARD FEE PROCESS FLOW


Provide Award Fee Plan to Performance Monitors
Conduct Training
Evaluate Performances
Receive Interim Evaluations from Performance Monitors
Coordinate with AFRB, (FDO if necessary)
INTERIM
Receive Contractor's Response
Issue Interim Report to Contractor
Issue End of Period Evaluation Reminder
END OF PERIOD
Receive End of Period Evaluation from Performance Monitors
Prepare AFRB Briefing
Convene AFRB
Brief FDO
FDO Decides Rating and Award Fee Earned
FDO Letter to Notify Ktr.
Contract Modification Issued
Debrief Contractor

AWARD FEE PROCESS FLOW - IPT OVERVIEW



AWARD FEE PROCESS - IPT PERSPECTIVE

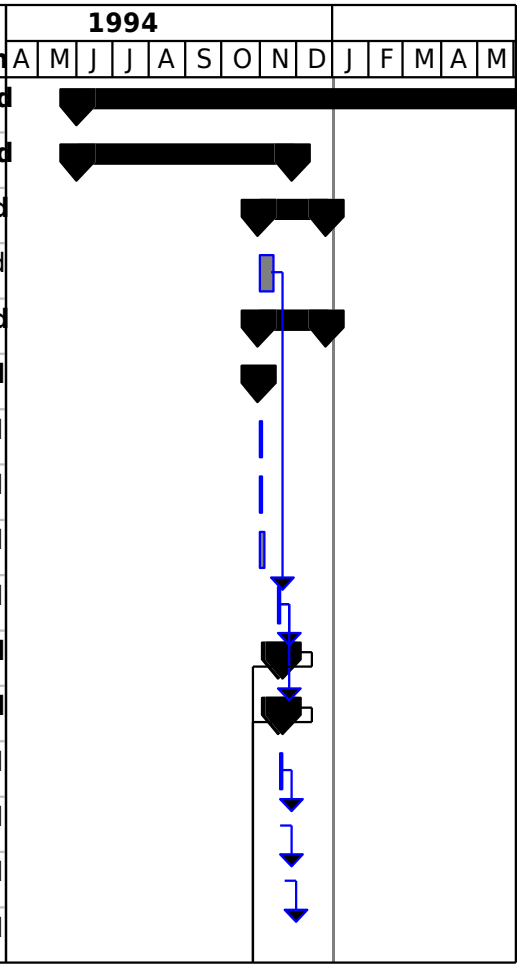


PLAN IMPLEMENTATION

(PROCESS / ROLES-RESPONSIBILITIES)

DETAIL OF PROCESS ACTIONS EXAMPLE PARTIAL SCHEDULE

ID	Task Name	Duration
1	**AWARD FEE PROCESS**	**298d**
2	**Monthly KTR/SPO Award Fee Meetings**	**130d**
9	**Interim Evaluation**	**43d**
10	KTR prepares Interim Evaluation	10d
11	**PO Prepares Interim Evaluation**	**43d**
12	**PO takes care of administrative duties**	**2d**
13	Coordinate PM, ARB and FDO briefing schedules , reserve conf rooms	2d
14	Prepare ARB letters giving time, place, and purpose of ARB briefing	1d
15	Send out ARB letters	3d
16	Meeting with monitors and KTR to discuss KTR self assessment	3d
17	**Monitors and PO prepare ARB briefing**	**3d**
24	**PO prepares FDO letter**	**4d**
25	PO writes first draft of FDO letter highlighting strengths and weaknesses	1d
26	PO coordinates draft FDO letter with monitors and three letters	1d
27	PO incorporates comments and prepares official FDO letter	1d
28	PO coordinates official FDO letter with all three letters	1d



PLAN IMPLEMENTATION

PROCESS

FUNDING ISSUES

- The negotiated amount of the award fee pool is a contingent liability.
- A certified purchase request (PR) must be provided to the contract manager **before** the start of each AF period.
- The PR must be clearly marked: Award Fee(Contingent Liability)
- When planning and budgeting for award fees, you must adhere to the aspects of legal availability of appropriations.

  - Purpose (Propriety of Funds, 31 U.S.C 1301(a))

  The purpose of an expenditure must be one which is authorized by the appropriation made by Congress.

  - Time (Bona Fide Need, 31 U.S.C. 1502(a))

  The requirements of a specific fiscal year must be funded only with appropriations enacted for obligation in that year.

PLAN IMPLEMENTATION

PROCESS

FUNDING ISSUES (CONT'D.)

- Amount (Anti-Deficiency Act)

Amounts appropriated by Congress for general or specific purposes may not be exceeded through commitment, obligations, or expenditure.

- The propriety of funds rule, 31 U.S.C. 1301(a), states,

"appropriations shall be applied only to the objects for which the appropriations were made."

- ROLLOVER -moving unearned AF from one evaluation period to a subsequent period to allow the contractor a second chance to get the unearned AF. Do not use in service contracts. If Fee Determining Official (FDO) allows rollover, the justification for its use must be part of the official contract file. Sufficient funds of the correct appropriation (type and year) must be available for payment of the rollover amount.

PLAN IMPLEMENTATION

PROCESS

EVALUATION PERIODS

- Evaluation periods should not exceed 6 months for small businesses and 1 year for large businesses.
- Interim evaluation required in award fee periods longer than 6 months.
- Interim has no fee determination or rating. It addresses stren and weaknesses for current award fee period.
- If contract is terminated after start of award fee period, the FI determines the earned award fee amount using the normal evaluation process.

PLAN IMPLEMENTATION

PROCESS

COMPUTATION OF EARNED AWARD FEE

- FAR 16.402-4(b) - "…. **all multiple incentive** contracts must include a cost incentive (or constraint) that operates to preclude rewarding a contractor for superior technical performance or delivery results when the cost of those results outweighs their value to the Government."

- Use caution in establishing hybrid contracts to ensure that the award fee incentives do not conflict with or de-incentivize the incentive-fee objectives. You do not want the contractor to achieve the maximum available award fee in one performance category (e.g. cost control) to the detriment of other contract requirements.

- There are various methods of conversion of point score to percent of award fee earned. The standard favored method is easier to evaluate and negotiate and provides adequate incentive.

PLAN IMPLEMENTATION

PROCESS

Computation of Earned Award Fee

PERCENT OF AWARD FEE EARNED EXAMPLE

Rating Description	Evaluation Point Range	Combination Contract Types
Excellent	**91-100**	**91- 100%**
Very Good	**81- 90**	**81- 90%**
Good	**66- 80**	**66 - 80%**
Satisfactory	**51- 65**	**-0-**
Unsatisfactory	**1- 50**	**-0-**

PLAN IMPLEMENTATION

PROCESS

Computation of Earned Award Fee

PERCENT OF AWARD FEE EARNED EXAMPLE

Rating Description	Evaluation Point Range	CPAF Contracts
Excellent	**91- 10**	**91- 100%**
Very Good	**81- 90**	**81- 90%**
Good	**66 - 80**	**66 - 80%**
Satisfactory	**51- 65**	**51- 65%**
Unsatisfactory	**1- 50**	**-0-**

PLAN IMPLEMENTATION

PROCESS

Computation of Earned Award Fee

COMBINATION CONTRACTS

PERFORMANCE CRITERIA	WEIGHT	AVAILABLE A.F. POOL	EVAL POINT %	POINT % EARNED
Program Mgmt.	45%	$180,000	90	90%
Engineering & Test	30%	$120,000	85	85%
Configuration Mgmt.	25%	$100,000	60	0%
	100%	$400,000		66%

* The overall rating is the total amount earned, divided by the total pool.

PLAN IMPLEMENTATION

PROCESS

Computation of Earned Award Fee

CPAF CONTRACTS

PERFORMANCE CRITERIA	WEIGHT	AVAILABLE A.F. POOL	EVAL POINT %	POINT % EARNED	A.F. $ EARNED
Program Mgmt.	45%	$180,000	90	90%	$162,000
Engineering & Test	30%	$120,000	50	0%	$ 0
Configuration Mgmt.	25%	$100,000	60	60%	$ 60,000
	100%	$400,000		56%	* $222,000

* The overall rating is the total amount earned, divided by the total pool

PLAN IMPLEMENTATION

ROLES / RESPONSIBILITIES

- Fee Determining Official (FDO) - A senior manager designated in the award fee plan who makes the final determination of award fee. A PEO, or may delegate to a Single Manager.
  - appoints the AFRB Chairperson
  - approves the award fee plan
  - approves AFRB membership
  - ensures the amount and percentage of award fee earned accurately reflects the Contractor's performance
  - FDO's decision **must be** documented
  - if FDO's final decision differs from the AFRB recommendation, the rationale for the change **shall be** documented in the official contract file
  - FDO's decision letter shall be sent to the Contractor within 30 days after end of evaluation period

PLAN IMPLEMENTATION

ROLES / RESPONSIBILITIES

- Award Fee Review Board (AFRB) - Senior Government personnel whose experience in acquisition allows them to analyze and evaluate the Contractor's overall performance
  - the only mandatory members are a Chairperson, the Contracting Officer, and a Recorder (normally the Project Officer)
  - AFRB **shall not** include performance monitors
  - may include Chiefs of Engineering, Logistics, Program Management, Contracting, Quality Assurance, Legal, Financial Management, user organization personnel, Defense Contract Management Command (DCMC), and the local Air Force Small Business Office Director
  - members identified in the plan by position only

PLAN IMPLEMENTATION

ROLES / RESPONSIBILITIES

- **AFRB Chairperson - appointed by the FDO**

  - selects the remaining AFRB members, who are approved by the FDO
  - selects the performance monitors
  - briefs the FDO on recommended earned award fee amounts and on the Contractor's performance
  - recommends significant award-fee changes to the FDO
  - approves award fee plan changes that do not require FDO approval
  - usually signs the interim letter to the contractor

PLAN IMPLEMENTATION

ROLES / RESPONSIBILITIES

- Contracting Officer - Mandatory member of AFRB
  - ensures that the award fee amount is certified and reserved prior to the beginning of the award fee period
  - ensures the modification awarding the earned fee is distributed within 15 calendar days after the FDO decision letter is issued to the Contractor
  - ensures the official contract file includes required documents such as AF plan, appointment letters, etc.
  - ensures AF modification file includes required documents such as AFRB and FDO briefing charts, performance monitors evaluation, contractor’s self-evaluation, interim and FDO letters, funding documents, justifications, rationale,etc.
  - Provide contractor’s self evaluation to AFRB members one day before AFRB determination meeting.

PLAN IMPLEMENTATION

ROLES / RESPONSIBILITIES

- AFRB Recorder **(normally the Project Officer)** - Mandatory member of AFRB (**but not a voting member)**

- ensures funds are planned/budgeted/available prior to the beginning of the award fee period
- writes the award fee plan
- **orchestrates the entire award fee process**
- coordinates the administrative actions required by the FDO, AFRB, and Performance Monitors
- prepares AFRB and FDO briefings, utilizing all sources of evaluation data
- retains all pertinent data regarding the evaluation period that is not required for the official contract file.

PLAN IMPLEMENTATION

ROLES / RESPONSIBILITIES

- The Project Officer shall define the star (*) rating system used by all those included in the rating process. The definition **is not to be included** in the award fee plan or provided to the Contractor, but must provide a common understanding to the process participants. Tie ratings, by reference, to the criteria.
- Example Star (*) Rating System:

  Strengths

  *** Major (Major importance to the contract)

  ** Moderate (Moderate impact to the program)

  * Minor (Little impact to the program)

  Weaknesses

  * Minor (A correctable deficiency of small impact)

  ** Moderate (Significant , but correctable deficiency)

  *** Major (Serious impact which will be difficult to correct)

PLAN IMPLEMENTATION

ROLES / RESPONSIBILITIES

- Project Officer's may modify the (*) definitions as appropriate, however, it is necessary that the definitions remain **consistent within each contract** award fee process.

- The Project Officer's presentation of recommended ratings to the AFRB and FDO should highlight the events which are most critical to the overall program rather than including excessive details.

PLAN IMPLEMENTATION

ROLES / RESPONSIBILITIES

- Performance Monitors (PMs) - Working-level specialists, such as engineers, cost analysts, and quality assurance evaluators. Performance Monitors **shall not be** members of the AFRB.
- The Project Officer should tailor the selection of the monitors based on the needs of the particular acquisition (the technical or functional **areas** that are **in the plan**) and the technical expertise of available personnel. However, a typical composition would cover the following areas of evaluation :

Program Management	Engineering & Test Mgmt.
Subcontract Management	Cost & Schedule Mgmt.
Manufacturing Management	Logistics
Quality Assurance	Technical Orders
Configuration Management	DCMC/DPRO Rep.

PLAN IMPLEMENTATION

ROLES / RESPONSIBILITIES

- Performance Monitors (PMs) - Must be familiar with the contract requirements and the award fee plan, especially the performance rating criteria for their assigned (in writing) evaluation area(s).

  -To facilitate record keeping of performance, a PM might copy the AF plan and the relating criteria that pertain to their assigned area of evaluation and enter comments, perhaps electronically as events occur, that address a Contractor's particular strengths and weaknesses including a star (*) rating for each of the comments.

  - Performance Monitors may be asked to justify their ratings by the AFRB. Notes and records of the PM and the Project Officer should facilitate the process.

MEMORANDUM FOR See Distribution
FROM: HQ SMC/MT
185 Discoverer Blvd Suite 2512
Los Angeles AFB, CA 90245-4695

SUBJECT: The Importance of ALERT/Talon Shield Performance Monitor (PM) to the Fee Determining Official(FDO)

1. As Fee Determining Official for the ALERT/Talon Shield contract, I'd like to emphasize how important you, the Award Fee Performance Monitors, are in the success of the program. The streamlined contract gives the contractor a lot of latitude in how they perform the job and the Award Fee with its performance criteria is how we motivate them.

2. As a PM you need to maintain a continuous written record of the contractor's performance in your evaluation area(s). I can't emphasize enough, your inputs (see Atch 1) are the foundation of the award fee process. The program manager needs your inputs in a timely and regular fashion for feedback to the contractor. Also, your inputs provide me with an assessment in determining the award for the contractor's performance.

3. Basically, we want to tell the contractor when they're doing well, sending the message that continuing to do well will be rewarded with fee. Conversely, where they're not performing, we need to point it out, sending the message that a portion of their fee is at risk. If and when they take corrective action, it should be recognized as well. I'm committed to do the best job I can in supporting your program as FDO.

CRAIG P. WESTON, Colonel, USAF
Program Director
Space Based Infrared Systems

Attachment:
Guidelines for PMs

GUIDELINES FOR PERFORMANCE MONITORS

Some basic guidelines for writing comments on the contractor's performance are as follows:

1. Be specific. Try to be quantitative, i.e. number of days, dollars or %.

2. The task must be on contract.

3. Always reference the Award Fee Performance Criteria (see AFP Annex 3) paragraph that your comment relates to. The use of adjectives n Excellent, Very Good, Good" must correspond to the rating associated with the paragraph.

4. Positive comments are needed to motivate the contractor in the direction you want and later justify a higher award fee.

5. Don't hold back the negatives. It's not justified, when you try to ding the contractor's fee at the end of the period for something you never told them. The recommendation at the end of the period must be based on what we've told the contractor and they've had the opportunity to correct. He should not be surprised at the end of the evaluation period.

6. The FDO expects justification for strengths and weaknesses and scoring. Basically, we want to tell the contractor when they're doing well, sending the message that continuing to do well will be rewarded with fee. Conversely, where they're not performing, we need to point it out, sending the message that a portion of their fee is at risk. If and when they take corrective action, it should be recognized formally with a comment. In all cases when writing a comment think in terms of "What's the message we want to send?"

PLAN IMPLEMENTATION

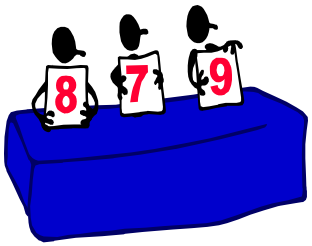
EXAMPLE: AFRB SCORESHEET

Score Sheet
for Contract F04701-XX-C-XXXX
Second Period Award Review Board Briefing
14 Jun 95

Award Fee Standards Score Range Percent Fee Range		
Excellent	91-100	91-100%
Very Good	76-90	76-90%
Good	51-75	3-75%
Satisfactory	26-50	0
Unsatisfactory	1-25	0

*The percentage for "Good" rating is determined by subtracting 50 from the point score and multiplying by three.

Categories	Weighting	$Max	Score Points (1-100)
Systems Management	20%	292.7K	_____
Subcontract	20%	292.7K	_____
Management			
Quality Assurance	15%	219.6K	_____
Parts Procurement Management	25%	365.9K	_____
Manufacturing Assembly and Test Management (Box level)	20%	292.7K	_____



PLAN IMPLEMENTATION

EXAMPLE: FINAL FDO LETTER TO CONTRACTOR

XXXXXXXXX XXXXXXXXXX
Program Executive Officer for Space
1110 AF Pentagon
Washington, D.C. 20330-1110

Dr. XXXXXX XXXXXXXXXXX
Vice President and General Manager
XXXXXXXXXX Systems Division
XXXXXX XX, XXXXXXX

Dear XX XXXXX XXXXXXXX
Based on a detailed evaluation of your performance during the second award fee period, 31 May 1994 to 30 May 1995 for contract F04701-XX-C-XXXX, I have determined that your overall performance was and you have earned an award fee of . This represents overall performance at %. The award fee determination is based on the criteria contained in the
Government Award Fee Evaluation Plan.

The primary strengths which contributed to your award were:
- Excellent cost/schedule performance program
- Extensive implementation of IPD principles in a production
- Outstanding customer service
- Commitment to ensuring outstanding subcontractor performance
- Excellent overall material position
- Use of comprehensive quality metrics to track and improve performance

The weaknesses identified during this period were:

- Continued forecasting problems on the Link 3 Receiver/ Frequency Source Unit engineering support redesign effort
- Significant cost overruns on the Electrical Aerospace Ground Equipment upgrade efforts

These two weaknesses were also identified as weaknesses during the first award fee period. I understand that these are not major weaknesses and thus they have only made a minor impact in the systems management category, however, as they are repeat weaknesses, I expect you to take the necessary management action to correct these areas.

Your overall performance during this period is especially noteworthy, given the tumultuous events which drastically altered the scope of the contract and disrupted the normal work flow. I look forward to the same strong performance and continued improvement in the next period.

I have directed the Contracting Officer to prepare the necessary documents to effect payment of the Award Fee determination and to brief you on the details of the basis for this determination. Please contact the Contracting Officer to arrange a date and time for this briefing.

Sincerely

Provisional Award Fee Payments

- Goal: increase cash flow
- Application: CPAF contracts only
- Limitations
  - 50% of initial award fee available
  - 80% of prior period for subsequent payments
  - PK policy: do not use with base fee
- Frequency of Payments: PK policy is quarterly; otherwise..monthly
- PCO may discontinue if warranted
- Contractor must pay back with interest if provisional payments exceed final or interim determinations
- If adding to existing AF Plan, must receive consideration

LESSONS LEARNED

- **Rated an event that was not related to the plan criteria.**
- **FDO change (up or down) from the AFRB's recommended award fee amount must be adequately justified and documented in the contract file.**
- **Technical (Performance) Monitors should be assigned, in writing, according to their functional areas of expertise and should be trained for; total familiarity of the contract, AF plan, plan criteria pertaining to their area of responsibility, and the rating method (e.g. definition of stars) developed for the specified plan.**
- **Additional lessons/suggestions may be found at the back of the AFMC Award Fee Guide.**

DISCUSSION ISSUES

- Customer & Contractor involvement and participation
- SAF/AQ Philosophy
- Objectivity vs. Subjectivity; IMU, DMS/ATLAS
- Relative importance of award fee; CPAF vs. FPIF/AF
- Rollover - pro's and con's
- Contract changes and award fee
- Downsizing and award fee

DISCUSSION ISSUES

- **Award Term contracts – pro's and con's**
- **Delegation of FDO Duties**
- **Insight vs. Oversight**
- **Disputes Clause**